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## THE PROBLEM OF UNEMPLOYMENT

Of all forms of social insurance, unemployment insurance has always presented the greatest difficulties as to both theory and method of organization. In fact, the difficulties were so great that for many years even the keenest students of the problem practically admitted them to be insurmountable. The history of social insurance presents no more dismal failures than those that attended some of the experiments that were tried in connection with the problem of unemployment. It was claimed by many that the problem of unemployment relief would have to be considered as a problem of relief only, without any reference to insurance principles; by others, that it was a problem of wages primarily. On the other extreme could be found the theory, still held by many in this country, though emphatically contradicted by all known facts of economic life, that the whole problem of unemployment was a problem of psychology, since work exists for all who want. But whatever was thought of the principles of unemployment insurance, the whole subject has been immediately placed upon a solid scientific basis through the bold act by which Lloyd-George's British national insurance law established recently a national compulsory system of unemployment insurance for nearly 2,500,000 wage-workers.

All criticism of modern industrial society focuses on the conditions of unemployment, especially as expressed in large industrial crises; and in search of correspondingly broad economic measures of relief, the suggestion of insurance is often sneeringly referred to as being altogether incapable of dealing with the grave situation confronting the wage-workers. It is perhaps advisable, therefore, to point out in the very beginning that in one respect theoretically at least, the problem of unemployment is no different from problems of accident, sickness, or invalidity—in each case it may be readily admitted that prevention is better than relief. It is certainly much more desirable that there should be no industrial accidents than that we should have complicated systems of compensation. This is a legitimate argument for proper factory inspection, for further development of safety appliances, and for other methods

of social control of industrial activity. Much can be done and must be done in this direction to eliminate the great proportion of industrial accidents which are preventable and therefore socially unnecessary; yet it may be admitted at the outset that even if the entire abolition of industrial accidents is at some time to be accomplished, the prospect of such an achievement must remain utopian for many years to come. Even thus, industrial hygiene and general sanitation, wise living and a high standard of life might be expected to reduce the rate of sickness among wage-workers as well as among all other classes of the community, though perhaps no serious man would expect total abolition of all physical ailments.

Just as the banishment of the terrible epidemics of smallpox, cholera, and plague, familiar visitors of Europe in the Middle Ages, has put an end to the sudden violent increases of mortality, it may be reasonably expected that the probable conquest of tuberculosis and the now remote, yet not impossible conquest of cancer will probably reduce the death-rate in youth and the prime of life. But the day is far distant when all premature deaths may be prevented and life insurance made unnecessary. Shortening of the hours of labor, decrease of intensity of effort by proper social control, and elimination of great demands on muscular strength by substitution of machinery for muscle power may restore old age to industry, or at least prevent the premature exhaustion leading to chronic invalidity. But at best the change will be long in coming.

If, therefore, a fruitful field remain for application of principles of insurance to the problems of accident and disease, the same must hold true of the conditions of unemployment. Efforts to adjust the demand for labor to its supply and thus to regulate our entire economic life so that industrial crises and periods of depression should be abolished, are certainly commendable; but while hundreds of economic measures have been suggested in order to realize this aim, and while no system of economic policy has failed to be supported by the claim of possible reduction of unemployment, the fact remains that under modern industrial conditions there is, and until a national system of co-operative economy has some day entirely eliminated it, there always will be a greater or smaller risk

of unemployment with its consequent loss of earnings as a problem of economic life.

That there is at times a very large amount of unemployment during the grave disturbances of economic life known as economic crises or industrial and commercial depressions is a fact too generally known to require elaborate evidence. But outside of the army of wage-workers themselves, there is comparatively little knowledge of the equally large or, perhaps, on the whole, even larger amount of unemployment existing at all times and under all conditions of industrial activity.

Unfortunately, notwithstanding the tremendous importance of the problem, statistical data concerning the extent of unemployment are as yet very unsatisfactory. An enormous amount of fragmentary information is available, but it is either unreliable or untrustworthy or incomplete. By many students of the problem it is claimed that in the study of relief measures the first pressing consideration is that of obtaining satisfactory statistics, without which a scientific basis for action is lacking. On the other hand, it is equally evident that these statistics, in the very nature of things, will never be satisfactory until some systematic scheme of insurance is created, because without this it is almost impossible to trace all existing unemployment. This appears to be a vicious circle, which is in no way different, however, from the situation concerning accidents or sickness. Complete accident or sickness statistics were never available until systems of compensation were established. In the case of industrial accidents it has been clearly established that only the certainty of relief which follows from compensation or insurance makes a complete record possible. Only the organization of compulsory sick insurance gave scientific statistics of the morbidity of the wage-working classes. No such national system of unemployment insurance for millions of wage-workers exists, and consequently there is no national body of unemployment statistics.

Moreover, the technical difficulties in connection with unemployment statistics are evidently much greater. An accident is a definite event which may be easily recorded. Even the fact of sickness can be established in the majority of cases from the outside. But unemployment or lack of employment is a more or less diffused

condition, which requires careful definition. Thus, for instance, we do not think of the members of the leisure class as unemployed when they are without occupation, because they do not suffer from lack of means of existence. It is therefore not sufficient to record the external fact of absence from work. Unemployment must, moreover, be carefully differentiated from any form of disability and this differentiation may sometimes be rather difficult. The difficulty becomes still greater when involuntary unemployment (true lack of employment) must be distinctly separated from such voluntary unemployment as may be due to trade disputes, or faults of character, or a definite desire to defraud.

Complete statistics of unemployment would need to furnish information as to the total time lost from lack of work in a certain country during the shortest industrial cycle, which is a year. No such information exists. The fragmentary direct information available is usually of two kinds. There may be, in the first place, a determination of the entire number of persons unemployed on a certain day; such may readily be made in connection with a population census; but such a determination conveys little valuable information concerning the problem, because of its dependence upon the accidental and exceptional circumstances of the day when the census was taken. Secondly, there may be a more complete study of fluctuations of unemployment within the narrow limits of one trade or one community. Such a study is useful so far as it goes, but it seldom goes far enough. A somewhat similar effort was made in several United States censuses to discover the total amount of unemployment for a whole year; but the results, depending as they do upon the memories of millions of people, are not considered very trustworthy.

In addition, there are such sources of evidence as fluctuations of poor relief, of unemployment relief in small localities, or general data concerning fluctuations in intensity of industrial and commercial activity, which are all valuable as indications of the gravity of the problem, rather than as actual measures of its extent.<sup>1</sup>

<sup>1</sup>For a good deal of valuable information, the reader is referred to the comprehensive third report of the New York Commission on Employers' Liability, etc., entitled *Unemployment and the Lack of Farm Labor; Unemployment in the State of New York*, by Dr. W. M. Leiserson, and *Unemployment, a Problem of Industry*, by W. H. Beveridge (mainly English data), and the respective sections in the various chapters of the *Twenty-fourth Report* of the United States commissioner of labor.

It is worth while to quote a few of the data available, so as to get at least a general conception of the number of unemployed wage-workers. A very interesting census of unemployment was taken in Germany in 1895, and though the data are considerably antiquated, they have not lost their interest. In a year of normal industrial activity in Germany, in the middle of June when conditions of employment are at their best, 179,000 persons were found unemployed, constituting a little over 1 per cent of the army of wage-workers. By the beginning of December of the same year, the number had increased to 554,000, or nearly  $3\frac{1}{2}$  per cent, indicating a tremendous increase of unemployment in winter, a feature of unemployment which we shall have occasion to refer to presently. An inquiry as to the duration of unemployment at the times at which data were collected showed that nearly 45 per cent of those unemployed in June had been without work over one month, and that in December over 33 per cent had been unemployed for a similar period. Some 17 per cent had been unemployed for over three months in June, and about 8 per cent in December.

Such figures, however, which simply state the number of unemployed at any particular moment, do not indicate the total extent of unemployment, for the army of the unemployed is a shifting army. More significant are the data concerning the cases of unemployment per 100 employees as reported by labor organizations for a longer period of time.

The reports of German trade unions have indicated that during the first quarter of the year, when unemployment is usually at its highest percentage, cases of unemployment varied between 6 per cent in years of highest industrial activity, such as 1906, and nearly 13 per cent in years of industrial depression, such as 1909. Yet it is a well-known fact that organized labor, because largely skilled, suffers from unemployment a great deal less than unorganized and especially casual and unskilled labor.

In France, a census taken in 1901, showed over 314,000 unemployed out of a total of over 10,000,000 wage-workers, or a little over 3 per cent. The average proportion of unemployed reported by the trade unions fluctuated between 7.8 per cent and 11.9 per cent in 1908, and between 6.4 per cent and 13.5 per cent in 1909, reflecting the effects of the industrial depression of 1908-9.

In the United Kingdom, the "unemployed percentage," as reported by several hundred unions and compiled by the *Labor Gazette*, fluctuated during the fifteen years 1894-1908 between 2 per cent and 10 per cent. In this country, the special inquiries made in connection with the censuses of 1890 and 1900 are available (the results of a similar inquiry made in 1910 not having been published yet); and while the data for reasons already given are admitted to be very untrustworthy, they are, nevertheless, extremely suggestive. In 1890, out of 23,318,183 gainfully employed, 3,523,730, or 15.1 per cent, had reported having been unemployed for some time during the preceding year. Ten years later, out of 29,073,233 employed, 6,468,964, or 22.3 per cent, reported unemployment during the year. The figures appear enormous upon the face of them. There is evidently a problem here that concerns millions of wage-workers. The true significance of the figures is very much greater than the percentages given above would indicate, for as a basis, the number of all persons employed and not merely of wage-workers (whose number cannot be ascertained) has been taken. For persons employed in manufacturing and mechanical pursuits the percentages were 22.9 per cent and 27.2 per cent, respectively. It is very likely that a good deal of short-time unemployment was forgotten or overlooked, for the duration of unemployment recorded for the six million unemployed of 1900 was very great.

NUMBER OF UNEMPLOYED IN THE YEAR 1899-1900 ACCORDING TO  
LENGTH OF UNEMPLOYMENT

Duration of Unemployment	Number of Cases	Percentages of All Cases of Unemployment
1- 3 months. ....	3,177,753	49.1
4- 6 months. ....	2,554,925	39.5
7-12 months. ....	736,286	11.4
	6,468,964	100.0

Over one-half of these six millions, and possibly three-fourths of them, suffered from unemployment to a degree which could not fail to cause national distress. The total time lost to the productive industries of the country was evidently enormous. An approximate estimate would indicate that during one year over 1,900,000

years of productive labor were lost; or, what amounts to the same thing, of 29,000,000 gainfully employed, on an average nearly 2,000,000 had been idle throughout the whole year.

The extent of unemployment in this country, as disclosed by these figures, seems to be very much greater than in Europe. It must be remembered that neither 1889-90 nor 1899-1900 was a year of industrial depression. If, therefore, a similar census had been taken for 1893-94, or 1907-8, its results might be still more depressing, and the "wild" estimates of five to six millions unemployed during severe industrial crises, such as this country is particularly subject to, do not appear so wild after the statistical data quoted are contemplated.

What other evidence exists concerning conditions in the United States corroborates these alarming estimates. The figures published quarterly by the New York Bureau of Labor concerning conditions in the New York trade unions are very familiar; the percentage of union workers unemployed at the end of September fluctuated during the last fifteen years between 4.7 per cent in 1899 and 22.5 per cent in 1908; at the end of March, between 9.9 per cent in 1906 and 30.6 per cent in 1897 and 35.7 per cent in 1908. No European figures of unemployment reach anything like such heights. The problem of unemployment therefore appears as a particularly serious problem in this country.

While it is impossible to enter here upon any careful analysis of these data, there are two features of unemployment disclosed by the statistics which must at least be briefly referred to: (1) the fluctuations of unemployment in time and (2) the difference of the degree of unemployment in different trades.

Two cycles of unemployment (or employment) are disclosed by all statistical data of unemployment published, the shorter annual cycle and the longer cycle (from seven to fifteen years long) between the ever-recurring periods of industrial activity or industrial depression.

When the total amount of unemployment is considered, there is always a great deal more of it in the winter than in the summer; only when an industrial crisis, altogether independent of climatic conditions, breaks out in the summer is this condition disturbed.



As will be indicated later, the phenomenon is due to a few large trades subject to seasonal fluctuations because of weather conditions; building, construction, and farming are three such trades which are important enough to influence the general level of unemployment. A five-year average of unemployment in France shows a variation between 8 per cent for July–September and 10.5 per cent in December–February. For fifteen years, the average unemployed percentage of the British unions amounted for July to 5.7 per cent and for January to 6.6 per cent. According to the New York figures the average percentage of unemployment at the end of March for 1897–1909 was over 20 per cent while it was only 10 per cent at the end of September.

The problem of unemployment is to a large extent a winter problem. This is a serious factor in itself, for in winter all conditions aggravate the struggle for existence. The minimum cost of living is higher: higher prices for food, greater need for clothing; increased expenditure for light and an additional outlay for fuel, together with the absolute dependence of life itself upon continuous shelter—such are the conditions under which the greater share of unemployment must be borne.

The larger cycle works more slowly, from crisis to industrial expansion and down again to an industrial crisis or depression. The phenomenon is so well known that it is scarcely necessary to illustrate it by means of statistical data. While all unemployment statistics display this fluctuation, it is perhaps most vividly seen in American data, especially during the last two decades, including, as they do, two very severe industrial crises, and at least two periods of less severe depression in industry and commerce. These marked fluctuations present a strong contrast to the problems of accident and disease where the risk is fairly uniform from year to year and where, though it changes throughout the different seasons, it does so but slowly.

On the contrary, so far as differences between one trade and another are concerned, there is a marked analogy between the risk of unemployment and the risk of accident. In so far as accurate statistical information is available, it proves a fairly definite unemployment ratio for each trade and fairly uniform conditions con-

cerning seasonal and even cyclical fluctuations. This is but natural, since the frequency of unemployment or the general relation between supply and demand of labor depends largely upon the organization of the specific trade as well as of the market for the products of the trade. Every large enumeration of the unemployed, such as has been made in connection with the national census already referred to, in Germany, France, or the United States, demonstrates this.

Thus the German census of December, 1895, showed an unemployment percentage varying between 12.6 per cent for the building trades and only 9 per cent for textiles. In the two French censuses of 1896 and 1901, the unemployed percentage for "distributing, loading, and unloading" was 12.11 per cent and 11.96 per cent, respectively, for clothing, 7.37 per cent and 6.98 per cent, in commerce 4.46 per cent and 4.88 per cent, in transportation 2.24 per cent during both years, in textiles 2.39 per cent and 2.67 per cent, and so on and so forth—the smallness of the difference between these two enumerations, separated by a five-year period, being rather a striking illustration of the point that is made here.

To an American reader, the situation in the United States is necessarily of greater import. A reference to the volume on *Occupations* of the Twelfth Census (pp. ccxxv–ccxxvii and especially ccxxxii–ccxxxiii) will furnish a wealth of information which cannot possibly be embodied here. When all the occupations are arranged in order of the percentages showing some unemployment in the year preceding the census of 1900, the percentage is found to fluctuate between 59.9 per cent for glassworkers and 1.9 per cent for physicians. If the inquiry is limited to mechanical trades only, the lowest figure is 11.2 per cent, for confectioners. The building trades show a specially high percentage: Masons and plasterers over 55 per cent, paperhangers, carpenters, and joiners and ordinary laborers from 40 to 50 per cent. Forty-four per cent of miners suffered from some unemployment. Marble cutters were only slightly better off (39.5 per cent). In the iron and steel industry and the lumber industry the proportion was about 30 per cent. Working-men in various textile industries showed from 20 to 30 per cent, and similar percentages were indicated in the clothing

trade. Among transportation employees, the condition was better; only 15 to 20 per cent in various branches of this industry reported unemployment. In the food industry, the degree of unemployment was about 10 per cent, and among commercial employees of various groups it was under 10 per cent. The influence of the trade upon the degree of unemployment is thus clearly established.

The effort to determine the ultimate economic causes of unemployment, though it presents a fascinating subject of economic inquiry and investigation, is beyond the scope of this study. In itself, it may boast of an enormous literature because there is scarcely any important factor of economic organization that is without its influence upon the state of employment; and there is hardly a measure of economic policy that is not defended or attacked because of its influence upon the conditions of labor supply and demand. As Mr. W. H. Beveridge tersely put it, "the problem of unemployment lies, in a very special sense, at the root of most other social problems." It is sufficient for our purpose, waving aside any search for ultimate causes, to indicate the active factors whose influence upon the degree of unemployment is a matter of common knowledge.

The three main phases of variations of the unemployment rate, (1) the long cycle of ten or fifteen years, from crisis to crisis, (2) the shorter annual cycle, and (3) the variation between trades, indicate at least three groups of such factors.

Of the factors thus to be distinguished, those which determine the ever-recurring economic crises are most obscure. Beginning with the Malthusian theory of overpopulation, down through Jevon's theory of sun-spots, to Hobson's theory of overproduction due to excessive savings, to the theory of psychological cycles, or of overspeculation, to Tugan Baranowsky's theory of misdirected production, or the theory of underconsumption because of the extraction of surplus value, various explanations have been given by some economic writers only to be discarded by others. Socialists have designated industrial crises with their necessary consequences, unemployment and distress, as the inevitable consequences of

competitive industry. Somewhat unexpectedly, a non-socialistic writer has recently arrived at the same conclusion:

So long as the industrial world is split up into separate groups of producers—each group with a life of its own and growing or decaying in ceaseless attrition upon its neighbors—there must be insecurity of employment. It is probable that at least one of the most striking specific factors in the problem—namely, cyclical fluctuations in trade—may be traced ultimately to this same source. Unemployment, in other words, is to some extent at least part of the price of industrial competition, part of the waste without which there could be no competition at all. Socialist criticism of the existing order has therefore on this side much justification.<sup>1</sup>

Thus, back of this most important factor, which statistically has been shown to be responsible for the largest amount of unemployment, there are blind forces of economic organization over which the working population has no control at all.

The fluctuations of employment within the shorter annual cycle are due to causes of a more obvious character. These cover seasonal unemployment, due to the great importance of seasonal trades, i.e., trades active through only a part of the year or much more active during one part of the year than the other. These seasonal fluctuations may be due to inevitable weather conditions, such as influence all building and construction work and farm labor. They may be due to similar variations in the sources of supply, such as are experienced in canning fruit and vegetables. But frequently they depend upon the weather conditions only indirectly. This is true of the whole important clothing industry where changes in weather conditions create periods of extensive demand for the product of industry and the swiftness of changes in fashions forces the compression of production within the shortest possible time preceding the opening of the market.

The various seasons of different trades need not coincide. Summer is the busy season for building as winter is for coal mining. But because of the large importance in the entire labor market of building operations, of navigation, and of farming, the winter season invariably shows, on the whole, a larger rate of unemployment.

And then, there is the fluctuation between trade and trade, between occupation and occupation, which partly depends upon

<sup>1</sup> Beveridge, *Unemployment*, p. 235.

seasonal changes, but partly upon other factors as well. There are occupations in which efficiency is closely dependent upon permanency of employment—such as clerical work or railroading. On the other extreme, there is the occupation in which a contract of employment is made for a day or a few hours only. This class covers a good proportion of all unskilled labor and perhaps its most typical example is the work of loading and unloading vessels at docks. There may be work all the year around but no employer has constant demand for labor and no employee a constant position. As a result, there is continual searching for employment with an enormous loss of working time for each individual employee.

In addition to these broad factors of unemployment, there are many minor ones which together may be responsible for a considerable share of unemployment. Old industries break down and new ones are created. The readjustment is not always easy, and it always takes time; some of the employees may quickly adapt themselves to a new occupation; others, under the influence of age or some other unfavorable condition, may never succeed. As illustrations, the bicycle industry may be mentioned, or the substitution of electric power for horse power on street railways. Again, when concrete construction first became popular, it threatened to cause a violent disturbance in the old building trades.

Large undertakings come to an end and then a large surplus of labor power is liberated, which may not find employment at once. The ebb and flow of immigration in this country often obscures or relieves the results of these violent changes. Occasionally, industrial establishments are transferred from one locality to another and labor is seldom mobile enough to follow this change immediately. In the process of consolidation of many independent industrial establishments into large trusts, some of them may cease operations altogether, and similar liquidations of manufacturing establishments occur for other reasons. Business failures, of which 10,000 or 15,000 occur annually in this country, death of employers, etc., are other exigencies which aid in the creating of a certain amount of unemployment.

It is necessary to bear all these factors in mind in order to place the responsibility for unemployment where it belongs, for the

point of view is still frequently met that unemployment is a fault of character rather than of opportunity. The factors briefly enumerated above are mostly impersonal and those that are personal pertain to the personality of the employer and not of the employee. Mr. W. H. Beveridge has very properly given his excellent study of unemployment the subtitle, "A Problem of Industry" (not of character). The greatest share of unemployment is due to faults of industrial and economic organizations, over which the employee as an individual in any case has no control. Unemployment is due to the disturbances in the demand for labor—not in its supply, which is fairly constant or at least slow in its changes.

It is true, nevertheless, that a personal factor of unemployment exists. It is true that the less efficient, the less energetic suffer more from unemployment, not only because they are less successful in finding employment but because they are the first to lose it when reduction of force becomes necessary. It has been observed under many unemployment relief schemes and even insurance schemes that a certain proportion of the relieved will find themselves repeatedly out of employment. From the less efficient the transition is gradual to those only partially employable down to those altogether unemployable, the "hobo," the tramp, and the habitual criminal. These may present a separate problem of their own, a problem of social hygiene, prophylaxis, and medicine, but even in dealing with this social disease, it is well to study carefully its etiology.

There may be hereditary tramps with unconquerable *Wanderlust*—individuals, who if they had grown up under more favorable circumstances, might have developed into famous globe-trotters, hunters, or sportsmen. But after all, this type, like the type of the hereditary criminal, is an exceptional one; most tramps, like most criminals, are creatures of those circumstances which have forced them out of the routine of honest and systematic toil. "The man," says Mr. Beveridge, "who is continually tramping the streets in search of employment is losing, quite certainly, in nearly all the qualities that go to make for industrial value."

There is a paucity of statistical material by which to judge of

the comparative importance of the many factors enumerated above. For this very reason, the following illustration, giving the above experience in the city of Milan, Italy, for 1908, may be interesting as indicating the great variety of existing factors:

Cause of Unemployment	Number of Persons Receiving Unem- ployment Benefits
Dull season.....	787
Dismissal because of application of new wage scale.....	63
Lockouts and shutdown .....	60
Suspension of work because of strike of other workmen supplying raw material.....	60
Industrial crises.....	57
Discharge subsequent to labor disputes.....	94
Closing of establishments through bankruptcy.....	17
Suspension of operations for the purpose of taking stock	7
	<hr/> 1,145

It would seem to be hardly necessary to dwell upon the economic consequences of unemployment upon those suffering from it. The sudden increase in the number of people out of work which occurs during an economic crisis seldom fails to cause an alarming amount of very acute distress, even upon the highest wage-levels. There is immediately an increase in pauperism and crime and the very picturesqueness of the situation makes a strong appeal for charitable relief, usually distributed neither wisely nor too liberally. But perhaps it is no exaggeration to say that in the final analysis the "normal" amount of unemployment that always exists is productive of even worse results through the undermining influence it exercises upon the general standard of life of the working classes.

Because a few trades exist in which high wages fairly compensate for the large amount of unemployment (such as the bricklayers' trade, for instance), it is often assumed that a similar compensation usually exists. It is true that the high wages earned during the busy season help to carry the worker's family through the critical period of unemployment; but it does not follow from this that unemployment is without its damaging effects even in these cases. It may be quite true, as Mr. Beveridge states succinctly:

An individual is not self-supporting unless his earnings amount to a sufficiency for life and not merely to a sufficiency for the time of working.

An industry is not self-supporting unless it yields wages not only for the time of employment but also for the time of inevitable unemployment as well; unless it maintains all the men required by it both while they are in active service and while they are standing in reserve.<sup>1</sup>

But this is an expression of an ethical ideal rather than of economic reality under present organization of industry. The same argument is perfectly sound when applied to industrial accidents, occupational diseases, old age, child labor, etc. But as a matter of fact, competitive industry (unless forced by proper legislation for social insurance) does not determine the working-man's share—wages—on any such principle.

Neither of the two theories of wages, which represent the two diametrically opposed economic schools—the productivity theory which claims that to the working-man goes, or tends to go, that part of the product which represents his exact contribution to production; the surplus value theory, which assigns to the wage-worker the price of the labor power, and to capital all the additional value which may be squeezed out of the labor power—neither of these two theories provides for payment of time lost because of unemployment. As the New York Commission stated in its report on unemployment:<sup>2</sup>

There is little evidence, except in highly organized trades, like building, to show that wages are adjusted in such a manner as to afford an adequate annual income to the wage-earner, despite loss of time through unemployment. It would be an advantage to the employer to retain his employees in constant employment throughout the year if he had to pay them in the busy season an additional sum to enable them to live the slack months. That employers do not give steady employment is evidence that wages are not adjusted on any such basis.

An additional reason why no such adjustment is possible is that in no occupation is the risk of unemployment either certain or definite, and that no adjustment can be made to an unknown factor except through a method of insurance. In his well-known computations of wages in the United States, Professor Scott Nearing is forced to reduce the average annual earnings (derived from

<sup>1</sup> *Unemployment*, p. 236.

<sup>2</sup> New York Commission on Employers' Liability, etc., third report, *Unemployment and Lack of Farm Labor*, p. 53.



weekly wages) by 20 per cent to allow for the average unemployment. Some workmen may be lucky in losing much less time, but others lose much more than that. In cases where excessive loss must be made up, unemployment leads to woman and child labor, to a material lowering of the standards, to underfeeding, debts, pauperism, and actual distress to the point of starvation.

The variety of remedial measures proposed compares favorably with that of the causes responsible for the existence of the problem. The vast majority of these expedients aim at prevention rather than cure, a condition of affairs which in itself is highly praiseworthy. In social as in physical hygiene, prophylaxis is more important than therapeutics. But even in medicine, the science of prophylaxis is far from having reached that stage which would make therapeutic measures unnecessary.

From protection to home industries, through high customs duties, down to the socialist demand for a co-operative commonwealth, every economic policy realized or proposed has aimed to prevent unemployment. That the measures applied have not been successful is amply proven by statistics of unemployment; and as to measures proposed, even a co-operative commonwealth offers (logically at least) no positive guaranty of total prevention of unemployment, though, of course, it may easily so organize the process of distribution as entirely to prevent the resulting poverty and distress.

A detailed review of all these various measures either tried or proposed would be beyond the scope of this study, which is concerned primarily with one particular plan of relief. But perhaps it is worth while mentioning them briefly, so as to indicate the necessity for such organized systems of relief.

Industrial development has often been advanced as the surest method. But while it seems quite plausible that high industrial development must absorb the surplus of labor, unemployment, both acute and chronic, has in fact become the feature primarily of the countries and age in which industrial development has been most rapid, for industrial development does not guarantee regularity of activity or employment. Again, better regulation of the con-

ditions of the labor market through public employment offices or labor exchanges has been widely advocated and tried, and of the usefulness of such institutions there can be no doubt. Considering that wage labor constitutes the only means of existence of the majority of the population of this country, for instance, it is certainly remarkable how little has been done to improve the conditions of selling labor power. The necessary coming-together of buyer and seller is left entirely to chance, or to individual energy, or becomes a matter of speculative enterprise, private employment offices, and private advertising agencies. As a result, the adjustment is far from perfect: the amount of unemployment is usually greater than is justified by the existing demand for labor, since part of this demand remains unknown.

But, after all, labor exchanges may only facilitate the satisfaction of that demand—they can hardly increase it. Perhaps the most urgent plea for such labor exchanges was made and the greatest faith placed in their effectiveness by Mr. W. H. Beveridge, whose book has been already quoted so frequently. But a careful study of this work demonstrates that the author had in mind the peculiar conditions on London docks and that his remedy was directed against one specific form of unemployment—casual labor—which Mr. Beveridge hopes could be “decasualized” by a system of proper registration in labor exchanges.

Beyond this specific remedy, Mr. Beveridge proposes a flexible standard of wages and also a flexible standard of hours of labor—a remedy which seems to tend toward the same condition of casual labor which elsewhere he attacks so energetically. There is little doubt that in certain seasonal trades, where the wide fluctuations between unemployment and extreme intensity of activity with overtime are caused not by climatic conditions but the caprices of fashion, such flexibility of hours would stimulate a shortening of a busy season with the always-present danger of increase of hours.

Another very popular measure, partly prophylactic, partly remedial, which has been widely advocated and often tried is the organization of public works. It is boldly put forth in the platform of the Socialist party of America as labor’s demand in case of unemployment. Yet the remedy has often been tried and often

with very unsatisfactory results. That regular public employment, as such, is almost free from the danger of unemployment<sup>1</sup> may be readily admitted. And it follows that extension of governmental activity must have a steadying influence upon the labor market. But the organization of public works for the purpose of relieving the army of unemployed is a very different matter. There is no permanent army of unemployed and in the very nature of things there cannot be one, outside of the class of tramps and criminals; and when the person unemployed has reached that condition, he needs, not public works, but more specialized treatment, whether in work colonies or in reformatories. Irregularity of employment cannot be cured by a simple expansion of industries. This irregularity affects all industries, or nearly all; and public undertakings cannot be temporarily established in these various branches of industry, to be closed down again when conditions of employment have improved. Inevitably, therefore, the plan has reduced itself to this, that public works have been established or undertaken which "could employ all persons skilled or unskilled," which means the simplest work of unskilled labor, in building or street works, reforestation, or similar undertaking. Naturally, work performed by hands unused to it cannot be performed economically. The state is faced by the dilemma of either paying wretchedly low wages in accordance with the value of the work performed or paying wages out of proportion to the value, which brings public works into the class of thinly disguised public charity. At best, the result is that the public work is performed at high cost and performed inefficiently and even then it is seldom sufficient to meet the demand.

These strictures have been repeatedly made and are undoubtedly sound. It does not follow therefrom that public works have not performed their useful functions in times of great emergency. Under conditions of sudden and vast unemployment, they have proved a more dignified method of granting public relief to the needy than direct private or public charity or poorhouses or workhouses. But their failure to meet the problem of unemployment successfully, the clear evidence that they must be classed with

<sup>1</sup> The word "almost" is used advisedly. Workmen are frequently laid off both at the government printing-office and at the various navy yards when work is slack.

methods of relief rather than prevention, have underscored the necessity of other methods to meet the conditions of unemployment in so far as it cannot be prevented, or at any rate is not prevented.

What is this method? While the source of income is for the time destroyed, expenditure must go on. It is theoretically true that the relief of possible distress due to unemployment reduces itself to the question of wages. A proper averaging of wages over the entire period including the time of employment and time of unemployment is the only solution of the problem.

But several difficulties arise. First, can the proper averaging be achieved in the case of each individual workingman, since the risk of unemployment does not distribute itself in equal portions among all workmen? Secondly, can the individual workman be trusted to have enough acumen to make provision for the lean weeks? And thirdly, does the average income make such average possible without destroying the necessary standard, or, in other words, are wages high enough to furnish the necessary means to overcome the results of unemployment?

Applying the general principles of social insurance and the well-known facts of wages and cost of living to this specific problem, all three questions must be answered in the negative. The proper solution must, therefore, be found in the following three conditions:

1. A true averaging of income may be obtained only by means of the insurance method.
2. This insurance must be compulsory.
3. The industry or the social surplus must participate in this process of loss distribution, as it does in other forms of social insurance.

The answer therefore, is, briefly: Compulsory, subsidized unemployment insurance.

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